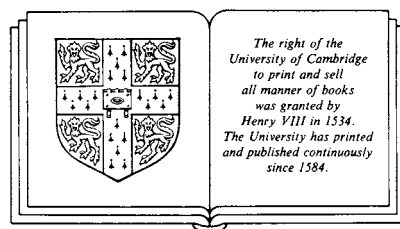


SETTLERS AND THE
AGRARIAN QUESTION
FOUNDATIONS OF
CAPITALISM IN COLONIAL AUSTRALIA

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THE SOCIAL STRUCTURE OF BRITISH HEGEMONY

INTRODUCTION

This study explores the social forces involved in the making of white-settler Australian society in the nineteenth century. These forces had an international dimension not only because of Australia's colonial relationship with Britain, but also because Australian economy and society were the product of a particular phase of world-capitalist development. Specifically, metropolitan industrial capitalism and its growing world market framed British expansion and socioeconomic possibilities in the colonies. Australian political and economic development, then, stemmed from these larger forces. Australian colonial history cannot be considered a discrete entity or as a study in British imperial relations. It needs a further dimension to locate it in a world-historical context – one that conceptualizes white settlement as an ingredient of the emerging world-capitalist order.

The argument of this chapter is that the changing fortunes of British hegemony governed nineteenth-century *world*-capitalist development. Britain sought to maintain productive superiority in the world market through industrial specialization in an international division of labor. Paradoxically, this worldwide mercantilist frame-

Note: Reference abbreviations used throughout this book:

- | | |
|----------------------|--|
| <i>HRA</i> | Historical Records of Australia |
| <i>ML</i> | Mitchell Library (Sydney) |
| <i>NSWSA</i> | New South Wales State Archives (Sydney) |
| <i>RAHS, J&P</i> | Royal Australian Historical Society, Journal & Proceedings |
| <i>V&P, NSW</i> | Votes and Proceedings, New South Wales (Legislative Council) |

work required the imposition of a free trade regime in the world economy, and this encouraged, rather than suppressed, industrialization in metropolitan states. Not only did they have access to growing peripheral markets,¹ but also free trade made available the productive and military possibilities inherent in British capital-goods exports in midcentury. Such technology laid the material foundations for a mercantilist challenge, as rival states *organized* national economies around this new intensive phase of industrial capital accumulation. This shift expressed the contradictory unity forged by a single hegemonic state within a world market subdivided politically by states.

The focus in this chapter is therefore on the structure of the world market as a historical context for the rise of industrial capitalism. There is no attempt to theorize the process of capitalist development, rather the goal is to characterize the political history of the nineteenth-century world economy, to set a framework for subsequent chapters. There, the concrete processes of capitalist development in Australia are grounded in a discussion of the social relationships established within the colony, some of which derived from the international context.

The global character of British capitalism combined an imperial state structure, strengthened by the post-Napoleonic War settlements, and a consolidated global trading apparatus constructed in the eighteenth century.² The political settlements were fundamentally asymmetrical: British imperial power contrasted with the Continental political balance of relatively unorganized states with comparatively localized economies. This facilitated the establishment of British economic (industrial and commercial) superiority in the world through an *extensive* (quantitative) growth of markets for manufactured consumer goods. Britain's Industrial Revolution was essentially the application of the techniques of "textile industrialism" to world market proportions (see Schumpeter 1939, pp. 170, 252). It resulted in the widespread displacement of handicraft production in Europe and the non-European periphery.

¹ Kondratieff (1955) has argued that boom years in the world economy are characterized by the incorporation of new primary production regions and technical change in metropolitan industry.

² Wallerstein (1980, p. 271), citing Vilar, notes the "globalization of British foreign trade in the eighteenth century" in contrast to the "Americanization" of French trade.

It could be argued that British capitalism was reproducing another colonial system, but this time on a world scale. Hitherto, Western European mercantilist states depended on colonies for supplies, markets, and the social organization of labor for large-scale commodity production to accumulate merchant capital. With the displacement of rival colonial powers in the early nineteenth century, Britain was in a position to fashion a world economy resembling her colonial system and reap the benefits of international commercial supremacy. This was the foundation of the "workshop of the world" ideal. (After the 1840s crisis in textile industrialism, Britain switched to the role of "engineering workshop" with exports of capital goods such as the railway.) Nevertheless, British capitalism broke through the limits of mercantile capital accumulation and promoted the universalist tendencies of industrial capital and its drive to continually revolutionize commerce. In this sense, British capitalism fundamentally transformed the world.

Britain unified the world market in two ways. The first involved the exercise of political and military force – for example, the establishment of the colonial empire, gunboat diplomacy, and the preemption of rivals in spheres of British interest. The second was the substantive exercise of politicoeconomic hegemony, such as the adoption of a free trade regime (whether voluntarily or not) which enhanced British commercial power.³ The latter, in particular, incorporated economic regions into international exchange through the expanding interstate system. Clearly, some regions were more politically unified than others, but for our purposes it is important to emphasize that the metropolitan thrust of British hegemony was to promote the nationalization of domestic markets. This resulted from the spread of constitutionally administered states. There was, overall, a double movement: the integration of producing regions into the world market (via inputs, outputs, and white settlement in toto) on the one hand and, on the other, the greater political centralization of metropolitan states (in particular) as commercial-industrial capital gained political influence. (Industrialization was a political goal as much as a superior form of capital accumulation based on home-market development.) The latter movement pro-

³ Compare Arrighi (1982). The notion of hegemony comes from the writings of Antonio Gramsci, whereas the application of it to international relations draws on the work of Arrighi as well as Franz Schurmann (1974).

vided the conditions for a national mercantilist challenge to British hegemony as the century ended.

This argument concentrates on the *conditions* of hegemony (and its demise) rather than on its politicocultural consequences. The emphasis is on the politicoeconomic consolidating mechanisms in the world economy as preconditions of British technical superiority. Of course, the actual experience of British hegemony related to the *effects* of these conditions, such as the spread of consumption patterns and production techniques, which universalized aspects of British material culture. Similarly, transformations in states that adopted forms of government associated with the British parliamentary system represented the spread of British political culture, while colonial elites emulated the British ruling classes, thus reproducing British social behavior. These extensive manifestations of British hegemony, however, cannot be dealt with adequately here.⁴

THE SOCIAL STRUCTURE OF BRITISH HEGEMONY

British hegemony depended on the political organization of markets. Hegemony meant more, then, than superior economic strength and the political capacity to realize this in the world economy.⁵ In

⁴ One impressive analysis in this area is Hobsbawm (1975).

⁵ Wallerstein (1980, p. 38) defines "hegemony" as

a situation wherein the products of a given core state are produced so efficiently that they are by and large competitive even in other core states, and therefore the given core state will be the primary beneficiary of a maximally free world market. Obviously, to take advantage of this productive superiority, such a state must be strong enough to prevent or minimize the erection of internal and external political barriers to the free flow of the factors of production.

In addition, in this schema productive superiority brings commercial and financial superiority in its train. The components of hegemony, then, are both economic and political: The one complements the other. This conception is little more than an aggregation of forces on a quantitative plane of relative strength, however. The definition does not do justice to Wallerstein's more qualified analysis of Dutch capacities beyond their phase of "productive superiority," arguing that "the turn to finance is *not* a sign of decline" (p. 57). Nevertheless, Wallerstein (p. 38) argues for the *momentary* character of hegemony: "As soon a state becomes truly hegemonic, it begins to decline: for a state ceases to be hegemonic not because it loses strength (at least not until a long time has elapsed) but because others gain." The danger with this notion of economic competition among core states is that it reduces the concept of hegemony to a zero-sum encounter. It tends to sideline the structural dynamics of the reproduction of the world market – a process of intercapitalist and interstate competition that realigns the world division of labor – and thereby subverts the foundations of hegemony.

addition to market competitiveness, the substantive aspect of hegemony was the imposition of an organizing principle into the world economy as a reproductive device. Britain projected a structure onto world market and interstate relations that was at once unifying and designed to favor the accumulation of British capital (and, therefore, state revenue). Thus, British hegemony in the nineteenth century combined direct imperial power and this substantive dimension. In practice, both aspects were mutually reinforcing; however, distinguishing between them is necessary to determine their origins and their effects on interstate relations. This is particularly important in differentiating Britain's relations with the colonial/non-European regions from those with the states of the North Atlantic region.

Direct British hegemony (*Pax Britannica*) combined Britain's politicomilitary supremacy among European states following the Napoleonic Wars with a worldwide colonial empire. In the postwar period Britain gained dominance among its metropolitan rivals by the preemption of a *Continentially based* imperial state, given the military defeat of Napoleon's "Continental system" (qua land empire). This was formalized in the Continental power balance negotiated in the 1814–15 peace settlement and preserved by British naval supremacy, which gave Britain a virtual monopoly on the global exercise of imperial power (Southgate 1969, p. 155; Gilpin 1975, pp. 81–2; Imlah 1958, pp. 2–3).

Animating the direct elements of British power were the substantive elements responsible for the *reproduction* of British hegemony. Briefly, these were the processes of state formation within the environment of the world economy. Not only did these processes consolidate the liberal aspects of state structures, but also they elevated the accumulation of industrial, and thus commercial, capital to a national (as opposed to simply a private) goal. To the extent that state formation involved the development of home markets by dismantling trade barriers, establishing central banking systems, and importing technology, the British state was able to unify world trading and impose a regime of industrial capitalism in the world market to its advantage, particularly in the third quarter of the nineteenth century. Ultimately the substantive aspects subverted British hegemony, but not until the 1870s crisis revealed the limits of extensive worldwide capital

accumulation under British direction.⁶ It precipitated political and economic involution in the metropolitan states and their favored spheres of influence.

Direct elements of British hegemony

A major source of British power among the nineteenth-century states was its internationalist, or imperial, character, which distinguished it from other Continental states.⁷ The original British state structure was formed through colonization of Scotland, Wales, and Ireland (Lichtheim 1971, p. 34; Wallerstein 1980, p. 123). Further imperial ambitions were necessarily maritime-oriented, promoted by a commercially minded landed elite significantly involved in international commerce (Anderson 1965; Block 1970, p. 140). The uniqueness of the British state stemmed from its parliamentary (and decentralized) character, as opposed to the generally absolutist (and centralized) system on the Continent, where standing armies preserved a feudal and fiscal conservatism (Gilbert 1975, pp. 199, 209, 214). The British navy, an institution of Parliament, served British commercial classes by sustaining commercial and industrial growth through overseas market expansion (Wallerstein 1980, p. 267; Ashton 1972, p. 50).⁸

The Napoleonic Wars gave Britain the opportunity to establish politicomilitary supremacy in Europe. The wars enhanced Britain's military and economic superiority in the world, and the settlements guaranteed European stability while Britain consolidated its com-

⁶ Hoffman (1933, pp. 14–16) suggests that, whereas the depression was felt more keenly in Britain ("prosperity having been previously most abundant in England"), the crisis reflected a general glut in the world market of commodities produced by Western European states in competition with those once of predominantly British origin, such as iron goods and textiles.

⁷ Lichtheim (1971, p. 39) argues that the eighteenth century saw a conjunction of the two forms of imperialism: the traditional continental form and the emerging modern maritime form, which Britain embodied alone in the post-Napoleonic period.

⁸ For an alternative view to Harlow's differentiation of the British Empire, with the post-1776 "swing to the east," see Marshall's (1964) argument that the British Empire assumed global proportions.

mercial empire.⁹ Meanwhile, the Continental states were preoccupied with preventing further aggression through the negotiated Continental balance of power and with rebuilding their economies. Accordingly, nineteenth-century British capitalist development had a global orientation, in contrast to the domestic orientation of subsequent capitalist development in rival states.¹⁰

During the wars, Britain's naval blockade of Europe amounted to a war of attrition against European navies as well as Continental seaborne trade. One result was the destruction of Continental industry that thrived on this trade (including shipbuilding); great seaports such as Amsterdam, Bordeaux, and Marseilles declined, and the maritime regions of the Continent experienced degrees of "deindustrialization" and/or "pastoralization."¹¹ As a result of these trends and the protectionism associated with wartime dislocation of trade and the commercial assaults of British goods following the wars, the long-term trajectory of Continental economic development was commercial involution, increasingly centered in the Rhine region (bounded by France, Belgium, and Germany) (Crouzet 1964, pp. 578–87; Moraze 1968, p. 174). This situation and the general public insolvency on the Continent account for the flow of British

⁹ Kiernan (1969, p. 25) writes

So much of Britain's attention was drawn off to the east that from the fall of Napoleon in 1815 to the Anglo-French Entente of 1904 it was more often than not an absentee from European affairs . . . If Russia was sometimes held to belong rather to Asia, and Africa was humorously said to begin at the Pyrenees, Britain often appeared to belong to all the other continents more than to Europe: or appeared to itself, with its growing family of white colonies, a continent of its own.

¹⁰ Schurmann (1974, p. 131) notes:

After the French Revolution, France became one of the most national of European capitalisms. The great world market system flowed out of England, not France. The constitutional histories of England and France reveal one major difference – while state power grew bigger, more extensive and more centralized in France, in England the power of the kings constantly diminished in favor of Parliament. Parliament, the body representing the various interests of English society, became the battleground for protracted class struggle, which continues to this day. The bourgeoisie never sought to *seize power* in England, as in France. Thereby preserving its archaic features of strong commitment to local interests along with strong and growing commitment to the most far flung international interests. And, unlike France, England never became a nation.

¹¹ Tilly's "Discussion" of Crouzet's (1964) paper contests the theory of involution with facts about Continental agricultural and textile exports. The point is, however, that relatively, British and European capitals after the Napoleonic Wars were at odds in their, respective, maritime and Continental commercial capacity and orientation.

capital into Europe between 1815 and 1850. As Hobson (1963, p. 98) has argued: "This was the period of substantial British monopoly in the supply of capital to the world market." English manufacturers also hopped European tariffs and circumvented their own state's embargo on exporting machinery and artisans by setting up branch plants on the Continent (Jenks 1973).¹² Britain's economic relationship to the Continent in this period resembled a colonial pattern of trade; the Continent was Britain's principal market for manufactured goods (and reexports) and the source of a third of its primary imports in 1830 (Pollard 1974, pp. 16–17; Crouzet 1980).¹³

The peace settlements constructed a security arrangement in which the formal balance of power among the Continental states rested on a quasi-legal alliance (the Holy Alliance) among the European landed classes and the nobility against popular uprising (Imlah 1958, pp. 2–3; Gilpin 1975, pp. 81–2; Bowle 1977, p. 235). This repressive peace began to unravel with the political upheavals of 1829–34 (the anti-Bourbon July revolution of 1830 in France, Belgian independence from Holland, the Polish rebellion, agitation in Italy and Germany, and civil conflict in the Iberian states). These events signaled both the demise of European aristocracy as a political force and a shift in state power toward the "grand bourgeoisie" of bankers, big industrialists and sometimes top civil servants" (Hobsbawm 1962, p. 139). While political transformation occupied the resources of the great states of Europe, the British ranged overseas, consolidating the British informal empire – the privilege of hegemony. This was done by establishing strategic bases at Gibraltar, Singapore, Dover, the Cape of Good Hope, Malta, Alexandria, Vancouver Island, and later Aden and Hong Kong (Gilpin 1975, p. 82; Bowle 1977, p. 233; Southgate 1969, p. 157). In effect, Britain established military control of the oceans; command over the trading routes to the Americas and the East was the foundation

¹² According to Hobson (1963, p. 107), 1822–3 was the height of emigration of English skilled artisans. About 16,000 were believed to have migrated to the Continent, and most factories had English employees in some capacity.

¹³ Regarding the relation with the United States, Jenks (1973, pp. 80–1) claims that British merchants hoped for a unification of the American West and South to maintain free trade and divert American enterprise to the development of a prosperous Mississippi Valley rather than to the American merchant marine.

of Britain's bid for the role of "workshop of the world" (Bowle 1977, p. 233).

Britain's naval power was central to securing the periphery of its world economy. Following appropriation of the French and Spanish West Indies as well as the Dutch colony of Java during the wars, Britain asserted its naval supremacy by sponsoring independence for the Latin American republics. The pattern was the same: the exercise of gunboat diplomacy to penetrate these markets and so reintegrate them into Britain's commercial empire through a liberal trade policy. Similarly in the Asian perimeter, the British state used its political and military power to incorporate the Chinese market (through the Opium Wars of 1839–42 and 1857–60) and an enlarged Indian territory (central and northern region annexation) into the global market. Not only was India destined to be the cornerstone of the late nineteenth-century world trading system, but combined with Britain's other informal empire (including the "empire of settlement," the white-settler colonies), it also underwrote Britain's bold introduction of a free trade regime into the interstate system.

The combination of formal and informal mechanisms of imperialism showed the contradictory nature of Britain's hegemonic endeavor (see Gallagher and Robinson 1953; McDonagh 1962; Platt 1968a). In attempting to unify a world market composed of regions in different stages of social development with vastly different state organizations, the British state necessarily combined liberal and mercantilist practices in its universal goal of opening markets.

This combination had its clearest example in the settler colonies. With regard to the Australian colonies, the mercantilist aspect of British policy was expressed by the *Economist* in 1850: "The colonies are of less importance to us as consuming our manufacture than as supplying us with raw produce, and affording a large field where our surplus population may both provide for themselves and minister to the wants of people at home" (cited in Goodwin 1974, p. 31).

Although the division of labor presumed here held generally for Britain's periphery,¹⁴ the empire of settlement adopted increasingly liberal political structures in the mid-Victorian era. This "positive

¹⁴ This also applied in India, which nevertheless experienced an intensification of formal control (Pares 1937).

theory of empire" was an evolving settlement strategy designed to reproduce bourgeois property relations in the colonies as a method of absorbing British working-class emigrés and retaining commercial ties with colonial economies (Pares 1937). This would decentralize power to colonial states without jeopardizing substantive imperial interests.

The ideological and programmatic justification for the extension of overseas markets for British industry stemmed from Adam Smith's advocacy of free trade as a stimulus to industrial production. The actual wellspring was Ricardian political economy, however. This generated practical schemes for expanding settlement overseas with British labor and capital to counteract decreasing profits by bringing new and fertile lands into productive use (see Winch 1965; Shaw 1970). The linking of the free-trade doctrine with the development of agricultural peripheries clearly illustrates the atavistic quality of British classical political economy (i.e., its incorporation of mercantilist relations despite its antimercantilist pretensions). Such ideological ambiguity was reflected precisely in the British state's bid for world hegemony on liberal grounds (see Semmel 1970, pp. 217–19).

These colonization schemes, the most famous of which was Wakefield's, were integral to the free-trade principle. Wakefield expressed the virtue of colonization in 1849:

It is not the land that we want, but the use of it. The use of land may be got elsewhere. It may be got by means of exchange. If, without any increase of capital or people we could purchase with manufactured goods twice as much food as we obtain now by various means, everybody here would enjoy the same prosperity as if our land were doubled or as actually happens in America and other new countries. Every fresh importation of food by means of exporting more manufactured goods, is an enlargement of the field of production: is like an acreable increase of our land: and has a tendency to abolish and prevent injurious competition. This was the best argument for the repeal of our corn laws. [from Pritchard 1968, pp. 804–5]

The ambiguity of the British hegemonic ideology was necessary to the establishment of British commercial power in an extremely uneven world market. The changing fortunes of the empire of settlement illustrated this combination insofar as political independence *followed* the organization of these regions into peripheral producing zones. Such a shift to substantive mechanisms of hegemony involved two significant processes:

1. The emergence of settler political forces that favored the liberalization and local control of resources; in effect they became social conduits for the growing liberal nationalist ideology in Europe.
2. The subsequent process of settler state building, including social capital formation and economic diversification.

Both processes encouraged the shifts in British trade and investment patterns in the last half of the nineteenth century, often referred to as Britain's "retreat" to Empire (Habakkuk 1975).

Access to this formal empire sustained British capital accumulation in the face of challenges following the Crimean War (a catalyst of growing European diplomatic instability) (see Hayes 1975, ch. 9) and the American Civil War, which were turning points in the national mobilization of rival states (Innis 1956, p. 354). Generally, the European wars of the third quarter of the nineteenth century transformed the dimensions and content of the interstate system, at the same time confirming the significance of industrial technology as necessary to state power (Hobsbawm 1975, pp. 80–1). The pursuit of industrial capitalist development reorganized European state structures and undermined the structure of the Holy Alliance (the "hierarchies of blood and grace") with an emerging instability among the European nation-states (Polanyi 1957, p. 9).

This fundamental shift generated the mercantilist revival in the interstate system. This, in turn, promoted the imperial and naval challenge to Britain's global hegemony (Bartlett 1969, pp. 182, 192), especially from Germany, which had by the early twentieth century reestablished a German-centered Continental economic system.¹⁵

Substantive elements of British hegemony

Although Britain's political and military dominance helped to construct an international division of labor that favored British capitalism, the *substantive* aspects of British hegemony shaped the organization of the interstate system to anchor this structure. The legacy of British hegemony (tenuous as it was) was the liberal state.

¹⁵ "Round Germany as a central support the rest of the European economic system grouped itself, and on the prosperity and enterprise of Germany the prosperity of the rest of the Continent mainly depended" (Keynes 1971, p. 16).

Other states were not transformed to emerge in the British mold; rather, in their responses to domestic and/or international politicoeconomic pressures, they adopted certain constitutional and administrative principles that facilitated participation in the international division of labor fashioned under British hegemony. The midcentury growth of liberalism (in various national guises) created a dynamic unity in the world market.

Three interrelated processes were the substantive elements of British hegemony:¹⁶

1. The spread of political liberalism, where social transformation generated liberal nationalist and socialist political forces in opposition to absolutist rule. The resulting constitutional concessions (drawing on the British parliamentary model) and the elevation of bourgeois classes in state structures facilitated the link between diplomacy and trade.
2. The spread of economic liberalism, where Britain's commercial supremacy, in conjunction with nation-state formation, encouraged market integration and the universalization of a free-trade regime among states.
3. The creation, to all intents and purposes, of a self-regulating world market through the adoption by states of sterling balances in London and the gold standard as vehicles of the global division of labor and the City of London's financial power.

All three processes added new quantitative and qualitative dimensions to the world market. The liberalization of international commerce marked a midcentury cyclical expansion in which world trade increased by 80 percent in the 1850s and by 50 percent in the 1860s (Fielden, 1969, p. 92; Woodruff 1967). At the same time, the world division of labor developed as steamships and railroads opened up European hinterlands and peripheral regions overseas. The measure of this was the 50 percent increase in world crop

¹⁶ These elements of substantive hegemony are derived from discussions with Giovanni Arrighi and, of course, draw on Polanyi's (1957) arguments. However, I propose that the flaw in Polanyi's construction is that it abstracts from the historical context of the market society discussed – namely, the power relations in the interstate system (in particular, British hegemony and imperial relations) and the contradictory processes of capital accumulation. Hechter (1981, pp. 420–1) comments on Polanyi's neglect of a possible “causal link between market exchange and the business cycle.” The fault undoubtedly lies with Polanyi's overstatement of the nineteenth-century institutional separation of society and the political sphere.